

TOWN OF WELLESLEY
WELLESLEY, MASSACHUSETTS 02481

MUNICIPAL LIGHT BOARD
WILLIAM E. CHARLTON, CHAIRMAN
DAVID A. T. DONOHUE
MICHAEL D. HUMPHRYS
GORDON F. KINGSLEY
THOMAS E. PEISCH



RICHARD F. JOYCE, DIRECTOR
P.O. BOX 364
455 WORCESTER STREET
WELLESLEY, MA 02481
781-235-7600
FAX 781-237-1936

MUNICIPAL LIGHT PLANT

WELLESLEY MUNICIPAL LIGHT PLANT
Power Supply Policy
November 2006

I. GOAL

To develop a managed power supply portfolio that provides Wellesley ratepayers with reliable energy at competitive market-based rates. The Wellesley Municipal Light Plant's ("WMLP") managed portfolio will minimize risks by entering into layered and staggered purchases at different times with credit worthy New England power suppliers, which would generally be nationally recognized and investment grade companies.

II. VISION STATEMENT

By 2010 the WMLP will have a layered portfolio in which no more than 15% of its energy and capacity needs are dedicated to any single physical resource. Based on current projected Forward Capacity Market ("FCM") and Locational Forward Reserves Market ("LFRM") prices, the WMLP will create a capacity price hedge with the purchase of entitlements that cover up to 50% of the WMLP's peak capacity requirements.

III. OBJECTIVES THROUGH 2010

1. Obtain resource and counterparty diversification by establishing Master Agreements that conform to the minimum standards set forth by the Edison Electric Institute with multiple suppliers. Such purchases shall include, but not limited to the following:
 - a. energy strips;
 - b. heat rate swaps;
 - c. load following for energy and ancillary services;
 - d. spot market purchases; and
 - e. forward fuel hedges for unit entitlements.
2. Develop a staggered and layered portfolio that is designed to meet an annual and, to a lesser extent, five year energy budget. This objective will be met by procuring forward fixed-price resources over various

market periods as further defined within Attachment A, which is for illustrative purposes only.

3. Establish a portfolio that will be further diversified to ensure the WMLP's base, intermediate and peak loads are matched cost-effectively with power supply contracts and entitlements.
4. Active participation in regional and national issues and events; and with governing bodies, either independently or in collaboration with others to influence governmental and wholesale market policies for the protection and benefit of Wellesley ratepayers.
5. Adhere to the following operational objectives:
 - a. Maintain flexible power supply and transmission options to meet an evolving market design;
 - b. Monitor "Use Rights", costs, reliability, contractual obligations and all associated activities as stipulated within Rate Schedule FERC NO. 167 Between Boston Edison Company and Wellesley Municipal Light Plant;
 - c. Keep abreast of market developments and current market conditions; and
 - d. Periodically, but no less frequently than once each year, review this policy, including opportunities to purchase energy and capacity from renewable resources, with the Municipal Light Board ("MLB") and make any modifications as warranted.
6. Evaluate the cost-benefits provided by demand-side management, distributed generation and energy conservation programs, implement individual programs that are deemed to be financially viable.

IV. POWER SUPPLY TRANSACTION POLICY

1. The Director may implement transactions that are for a term of five (5) years or less and ten (10) megawatts or less without obtaining MLB approval, provided that:
 - a. the Director and/or designee will provide the MLB with precise summaries detailing the intent and financial benefits of each transaction at the next regularly scheduled Board meeting; and
 - b. all transactions will be monitored and the performance of each will be measured against the market and the portfolio.
2. Any transaction exceeding the megawatt and/or time period in IV.1 above shall require the prior approval of the MLB.
3. Any contract or transaction involving Life-Of-Unit entitlements shall require the prior approval of the MLB.

V. Business Conduct

1. All members of the WMLP staff will be held to the highest standards of ethical business conduct and are required to fully comply with all laws, regulations and WMLP policies; these same demands apply to trading partners, consultants and/or other entities conducting business with or on behalf of the WMLP.
2. The Director shall be responsible for implementing all necessary procedures, guidelines and controls to ensure compliance with this policy.

Voted and Approved: November 20, 2006

Michael D. Humphrys
Secretary